

National Regional Development Agency

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Authors: Haroldas Brožaitis, Ramūnas Linartas, Vitalis Nakrošis and Algirdas Petkevičius

**EVALUATION OF THE EFFECTS OF THE EUROPEAN UNION
REGIONAL POLICY ON THE LITHUANIAN PUBLIC
ADMINISTRATION**

SUMMARY

Introduction

Having entered the European Union (EU), Lithuania will implement the EU regional policy and will get the EU fund grants. Implementation of the EU regional policy is the responsibility of the EU Member States. This study of the outcomes will be focused on the evaluation of the impact of the administrative EU regional policy implementation on the Lithuanian public administration while joining the EU and after the accession.

It is necessary to evaluate the impact of the administrative EU regional policy on the Lithuanian public administration so that the decision-making Lithuanian officials, when having knowledge as regards Lithuania's readiness to use the EU structural funds and the most effective EU structural funds absorption alternatives, could develop on the way to the EU membership an optimum EU structural funds management system, which would permit absorption of the EU structural funds during the period of 2004-2006 and facilitate reduction of differences between Lithuania and the EU average.

EU regional policy and related requirements

The EU regional policy objectives are: reducing of regional differences and promoting growth of less-developed regions. Currently, the regional policy budget accounts for one third of the total EU budget. Therefore, the EU regional policy became number two EU public policy (following the Common Agriculture Policy) in terms of funds. Presently, implementation of the EU regional policy in the EU Member States is financed from the four EU structural funds and a separate Cohesion Fund.

The main EU regional policy goals for 2000-2006 are being achieved while implementing the three priority objectives. Objective No.1 – promoting growth of under-developed regions and structural reconstruction. According to the objective, the support from the EU structural funds can be obtained by those NUTS II regions, where GDP per capita is less than 75 percent of the EU average.

The EU structural funds programming principle means that the EU support is granted for integrated, multi-annual development programmes in accordance with the EU benchmarks, as opposed to separate projects. The programming documents are made of development plans, Community support documents, action programmes, Single Programming Documents and programme annexes.

Following the article 15 of the Regulation 1260/1999, an EU Member State may present the draft Single Programming Document (including the programme annex) if the assistance is estimated at 1 billion EUR or slightly exceeds the said amount. In case of a region related to the objective No. 1, the Single Programming Document includes description of the present situation, strategy and priorities, as well as other parts, with means, final beneficiaries, financing plan and publicity measures presented in the programme annex.

Moreover, the Regulation 1260/1999 provides detailed requirements as regards the EU structural funds implementation structure while putting emphasis on separation of management and payment functions, functioning of proper management and control systems, existence of the proper supervision and assessment system and ability to avoid violation of other EU public policy regulations and rules using the funds of the EU structural funds.

Assessment of the impact of the EU regional policy on the current EU Member States

Preparation of development plans and programmes is the major stage of the EU structural funds programming. The impacts of this process on the EU Member States could be divided into four main sections (structure, human resources, systems, measures).

- *Structures* include the institution in-charge, co-ordination structure, break-down of responsibilities among national and sub-national authorities and central management ministries, consultation and partnership structure.
- *Human resources* include appropriate number of trained and experienced personnel, proper involvement of social-economic partners, political and other institutions, as well as use of services of external consultants and scientists;
- *Systems* include compatibility of programming documents and wider development strategy trends, accessible system of proper statistical data, current and available financial resources of the previous programming period and major results, present and available system of public and other structural costs.
- *Measures* include the programming methods and research, programme preparation guideline of the European Commission, correspondence to the EU public policy trends, national recommendations and information dissemination as well as *ex-ante* assessment in the programming.

Having prepared the development plans, the European Commission shall assess their compliance, and if the plan would correspond to the EU structural fund regulations, then it shall initiate negotiations with the EU Member State regarding the provisions of the development plan. After the negotiations between the EC and MS, they endorse agreements regarding the General Support Document or General Programming Document. In the latter case, in 3 months the MS shall prepare programme attachments, submit them to the Supervisory Committee for approval and submit it to the Commission for familiarisation.

Consequences of implementation of the EU financed development programmes, may be divided into 4 main analogous chapters to MS:

- *Structural* comprise clearly defined management and payment structure, simple structure of the implementing institutions from the administrative point of view and perceivable to the support beneficiaries, as well as the functioning supervision committee;
- *Human resources* incorporate a number of adequately trained and experienced personnel, continuous personnel training, purchase of services (management and audit) from private sector, proper use of the technical support assets;

- *Systems* embrace a flexible budget planning system, capable to administer a multi-annual use of assets, as short as possible and simple asset flow movement, proper financial control system, concentrated towards the assurance of the financial adequacy of the spent assets, continuous systems audit and computerised supervisory data collection system;
- *Instruments* incorporate an adequate and quickly adjustable legal basis, computerisation of systems, EU assets administration managers, notified public support systems and methodological documents of the European Commission.

Assessment of the EU Regional Policy Consequences in the Context of Lithuania's Accession to the EU

Joining the EU, Lithuania used to prepare the National Development Plan on annual basis. It was the basis, on which PHARE Economic and Social Cohesion program was prepared and co-ordinated by the EU Accession Support Programmes (PHARE ESS, SAPARD, and ISPA). In October 1999, the first preliminary National Development Plan was drafted for 2000-2002, in September 2000 the second preliminary 2001-2003 Plan was drafted, and in November 2001 the third 2002-2004 Plan was prepared.

Since after Lithuania joins the EU the support of funds during the 2004-2006 programming will not exceed or will little exceed 1 billion EUR, Lithuania will have to present to the European Commission the General Programming document instead of the National Development Plan, according to which the EU structural funds support will be provided. According to Chapter 21 of the Negotiations Position, Lithuania has undertaken to prepare and present the draft of the General Programming document by the end of 2003.

In order Lithuania would be able to prepare an adequate General Programming document, it should have relevant structures, human resources, systems and instruments:

- *structures* – the Ministry of Finance is the co-ordinating institution. While drafting the National Development Plan, one level co-ordination system was used, but it was planned to amend it by adding one higher monitoring level. Besides, consultation and partnership during programming is not developed. Instead, a direct participation of partners is foreseen in the preparation group for the General Programming Document. Finally, even though the division of responsibilities is based on the present responsibility of institutions, it is not very clear yet;
- *human resources* – though the qualification of public servants is sufficiently high, very few of them are involved in the programming. Besides, the level of knowledge of the national, regional and local social-economic partners about the EU structural funds is too low in order to enable them to take adequate participation in the preparation of the General Programming Document. Eventually, the political authorities have insufficient understanding and are not actively involved in the preparation of the National Development Plan. However, it is foreseen to form the Supervisory Commission for the General Programming Document, in the activity of which Vice-Ministers will be involved. Foreign and

local consultants actively participated in the preparation of the National Development Plan;

- *systems* – the General Programming Document is not properly co-ordinated with other strategic documents. Statistical data on the preparation of the National Development Plan was passively used, and the sufficiency of statistical data was not evaluated. The assessment studies are seldom prepared and their conclusions are rarely used as a resource in the document preparation. The basis of supplementing the EU structural funds is not known, but currently a respective research is being carried out;
- *instruments* – when preparing the National Development Plan, PTGP analysis method was widely used (strengths, weaknesses, potentials and dangers), and other methods were not applied. During the programming, the existing research is referred to, while special research is not ordered. When preparing the National Development Plans, the European Commission programming guidelines were used to a very limited extent. Besides, the institutions responsible for the horizontal EU public trends (balanced development, equal rights between sexes, state support or public procurement) were not directly involved in the preparation process of the National Development Plan. The national recommendations were widely used for the development plan preparation, but they lack the attention paid to the issue of the content. During programming, the information was widely disseminated, but Internet capacity was not used and partners are short of information.

In analogous the Lithuania's preparedness could be assessed for the implementation of the EU support of structural funds:

- *structure* – even though the Resolution of the Government of the Republic of Lithuania has already named the main structural fund support by the administrating institution (Management and Payment Institution), the role of other institutions in the future administration of the EU support is not clear and finally defined; the institutions ensuring the co-ordination during the implementation process are not defined; the future role of the CFCU is not defined;
- *human resources* – obvious shortage of the personnel working in the field of the preparation for the EU structural funds in the Ministry of Social Security and Labour as well as in the Ministry of Economy; employees of the majority of the ministries lack information about the EU structural fund support administration and competence in relation to these issues, which prevents them from making a decision with regard to the required structures, systems and measures; on the other hand, the lack of clearness of the whole preconditions that, despite the mentioned lack of competence, it is difficult to identify and train the employees, who will carry out the EU assets administration functions in the future; the possibility to resource services from private sector is not evaluated;
- *systems* – on-going positive budget and treasury reforms, but consideration of the perspective demands is not taken into consideration, when administrating the EU structural fund assets (though currently, the situation in this respect is improving); no decision has been taken with regard to the flow and accounting system of the EU structural funds, what blocks the way to the development of other systems; the present administrative capacity will not allow to carry out such functions like 5

- per cent assets control (including spot inspections), so the financial control is required (especially for the development of the *ex-post*) in order to develop the system; when administrating the state budget assets, cost compliance certificate is not applied, which is necessary to handle the EU funds; the monitoring system is underdeveloped in Lithuania: even the EU accession support instrument administration monitoring system is quite limited; the truth is that the monitoring definition as such is already being applied to the state budget, while developing the strategic multi-annual planning, but this process needs to be co-ordinated with the monitoring concept and methodology in case of the EU structural funds;
- *measures* – a strong need for a clearer legal basis exists, the position on how legally the EU structural fund support implementation process will be regulated (a possibility to prepare a separate law on this issue); the situation becomes even more complicated due to the investigation of the inter-relation between the long delayed and obscure Law on Regional Development and the EU structural fund support administration; currently, there are no methodological documents on the implementation of the EU structural fund support (for example, ESF guide, ERPF guide, or guides, how to implement some publicity or public procurement requirements).

Assessment of the Regional Policy Consequences to Lithuania after Accession to the EU

According to the official requirements of the EU Regional Policy, its consequences to the EU Member States as well as current Lithuania's public administration preparedness to use the EU structural funds after the Lithuanian becomes a EU member, the study proposes two options for management of the EU structural funds support - centralised-integrated and decentralised-non-integrated EU structural fund management systems.

Assessment of the alternative effectiveness according to the simplified PTGP analysis demonstrated that the first alternative, i.e. the integrated-centralised structural fund management system has more advantages than disadvantages. First of all, its use in the EU structural fund management would allow adopting more EU structural fund assets. Second, its implementation would require lower costs and lower-scale administration reform, compared with the second alternative. Finally, the integrated-centralised system is more suitable to Lithuania, because Lithuanian territory will receive the support from the EU structural funds according to the 1 objective of the EU Regional Policy.

In the end, the authors of the study present the list of 18 recommendations, how to implement the efficiency alternative, i.e. centralised-integrated EU structural fund management system:

1. To develop and apply the co-ordination measures for preparation of the General Programming document;

2. To develop the partnership and consulting structure as well as to strengthen the capacities of partners to take part in the preparation of the General Programming document;
3. To include into the EU structural fund management the representatives of the executive political and legislative authorities;
4. To establish a wide scope of the General Programming document;
5. To establish the centralised structure of the General Programming document and a small number of priorities;
6. To establish clear limits of measures of the General Programming document and to finance as many measures from one EU structural fund as possible;
7. To follow the European Commission methodological programming documents while drafting the General Programming document;
8. The General Programming document shall be co-ordinated with other strategic documents and State investment programme and budget;
9. To establish a supplementing level to generally finance the sufficient EU structural funds;
10. To establish Working Groups to solve issues related to the implementation of the EU structural funds;
11. To form the administrative capacity to implement the EU structural funds in several competence centres of the ministries;
12. To establish and strengthen the institutions of various levels, which will take part in the implementation of the EU structural funds support;
13. To use the national programmes for the general financing of the EU structural funds;
14. To develop proper training on the EU structural funds management system;
15. To properly prepare for the use of the EU structural funds technical support;
16. To develop or adapt the necessary methodological measures to manage the EU structural funds support;
17. To develop assessment institutional structure and initiate development of local assessment capacity;
18. To prepare for the assessment of the macroeconomic impact of the EU structural funds.